

Message Text

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C O N F I D E N T I A L MANILA 1502

LIMDIS

E.O. 11652: GDS

TAGS: ECON, ETRD, RP

SUBJECT: US/RP ECONOMIC NEGOTIATIONS -- STATUS OF LAND ISSUES

1. IN SERIES OF MEETINGS WE HAVE HAD OVER PAST SEVERAL DAYS ON SEPARATE OCCASIONS WITH INDUSTRY SEC PATERNO, FINSEC VIRATA AND REPS OF THE AMERICAN CHAMBER, WE BELIEVE POTENTIALLY EXPLOSIVE LAND OWNERSHIP ISSUE HAS BEEN BROUGHT MUCH CLOSER TO GENUINE DIALOGUE, IF NOT VISIBLY TO RESOLUTION. STARTING WITH PATERNO, WE HAVE OUTLINED PRESENT SITUATION AS FOLLOWS:

A. MOOD OF BUSINESSMEN IS INCREASINGLY SKEPTICAL AND IRRITATED RE GOP INTENTIONS. OVER PAST FOUR MONTHS, AN AD HOC PANEL OF AMERICAN CHAMBER REPS HAD CONDUCTED TALKS WITH A GOP PANEL WITH A VIEW TO GETTING POSSIBLE REAL AND WORKABLE SOLUTIONS TO LAND OWNERSHIP ISSUE ON TABLE;

B. EFFECT OF DIALOGUE INITIALLY WAS GOOD BECAUSE A FORUM WAS PROVIDED FOR OPEN CONSIDERATION OF POSSIBLE ALTERNATE WAYS OF SOLVING LAND TILE AND (ESPECIALLY IN CASE OF FORESHORE LEASES) FUTURE LAND USE PROBLEMS, BUT DIALOGUE SEEMS TO HAVE BOGGED DOWN IN LACK OF POSITIVE, SUBSTANTIVE PROPOSALS FROM GOP;

C. BUSINESSMEN HAVE MADE PROPOSALS TO GOP, AFTER CAREFUL REVIEW OF THESE WITH BOARD OF DIRECTORS, TO WHICH IT IS NOW NECESSARY FOR GOP TO REACT IF FURTHER PROGRESS IS TO BE POSSIBLE;

D. PROBLEM WITH GOP COMMITTEE SET UP TO TALK WITH BUSI-
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NESSMEN IS THAT IT SEEMS LACKING IN POWER EITHER TO PUT FOR-

WARD ANY IDEAS OR TO REACT TO SUBSTANCE OF AMCHAM PROPOSALS;

E. PROSPECT IS GROWING THAT BUSINESSMEN WILL TAKE THEIR PROBLEM TO THE CONGRESS WITH FAIR LIKELIHOOD THAT ELEMENTS CONCERNED ABOUT ACCUSATIONS OF EXPROPRIATION OR OTHER SQUEEZING OF BUSINESS INTERESTS MAY JOIN OTHERS WHO ALREADY HAVE EXPRESSED CONCERN ABOUT HUMAN RIGHTS, POVERTY AND MARTIAL LAW. THIS COULD BE A DISASTROUS COMBINATION FOR PHILIPPINE OBJECTIVES IN THE UNITED STATES.

2. IN MEETING JAN 29 WITH AMBASSADOR AND ECON/COMMERCIAL COUNSELOR, CHAMBER AD HOC COMMITTEE DISPLAYED FOR FIRST TIME A SOBER REALISM. IT WAS GENERALLY, IF TACITLY, ACCEPTED BY GROUP THAT CONTINUED LAND OWNERSHIP AS SUCH WAS AN UNLIKELY PROSPECT. CHAMBER REPS ADMITTED THAT THEIR PROPOSALS TO GOP COMMITTEE WERE MAXIMUM POSITIONS POSSIBLE SHORT OF CONTINUED OWNERSHIP. THESE CHAMBER POSITIONS (SALE AT CURRENT MARKET VALUE OR TAX FREE DONATION WITH LEASEBACK FOR 99 YEARS AT NOMINAL RENTAL) WERE ADMITTED TO BE NEGOTIABLE, AND SEVERAL REPS INDICATED THEIR SHELF PLANS HAD TO BE IMPLEMENTED SOON. MOREOVER, CHAMBER REPS INDICATED GOP VARIOUSLY WAS AWARE OF SUCH PLANS AND OF COMPANY INTENT TO PROCEED IN A NUMBER (ABOUT 1/3) OF CASES BY MID-FEBRUARY IF NOT INFORMED OF A SOLUTION IN THE MEANTIME. CHAMBER REPS THEN INDICATED IN A MUCH MORE CANDID EXCHANGE THAN PREVIOUSLY SEEMED POSSIBLE THAT REAL CONCERNS WERE WITH (1) BALANCE SHEET; (2) RELIABILITY OF FUTURE LEASE TERMS; (3) ABILITY TO COUNT ON A GIVEN SOLUTION TO PROBLEMS, E.G., THE PENSION PLAN SNAFU; (4) RECOGNITION BY GOP THAT ALL THESE ARE REAL PROBLEMS IN NEED OF NEGOTIATED SOLUTIONS.

3. IN SUBSEQUENT TALK WITH FINSEC VIRATA, AMBASSADOR AND ECON/COMMERCIAL COUNSELOR REVIEWED THE SITUATION PER PARA 1 ABOVE AND STRESSED NEED FOR GOP PROPOSALS PER AREAS SPECIFIED PARA 2.. VIRATA, FOR WHOM A MERELY PHLEGMATIC RESPONSE WOULD BE CLOSE TO BLOWING HIS COOL, INITIALLY RESISTED ALL ASSUALTS, STATING HIS TRADITIONAL POSITION THAT BOTH LAW AND CONSTITUTION WERE WELL-KNOWN, IT WAS UP TO BUSINESSMEN TO SEEK THE ADVICE OF THEIR MANY GOOD LAWYERS WHO KNEW WHAT TO DO, AND BUSINESSMEN SHOULD THEN TAKE THE NECESSARY STEPS TO MEET LEGAL REQUIREMENT. AMBASSADOR NOTED THAT CONFIDENTIAL

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ESPECIALLY FOLLOWING ABAD SANTOS OVERTURN OF GOVERNMENT-APPROVED PENSION PLANS BUSINESSMEN WERE UNDERSTANDABLY RELUCTANT TO EXPERIMENT. THEY NEEDED, IN SHORT, SPECIFIC, POSITIVE GOP PROPOSALS BEFORE GOING BEYOND WHERE THEY NOW STOOD. AMBASSADOR CITED PETITION (COPY POUCHD EA/PHL) WHICH CHAMBER LEADERSHIP HAD SIGNED, EFFECTIVELY AGREEING AMONG THEMSELVES TO DIG IN ON OWNERSHIP ISSUE.

4. VIRATA AGREED TO BRIEF THE PRESIDENT, FOLLOWING UP ON
A WRITTEN BRIEF BY PATERNO PREPARATORY TO A CALL BY THE
AMBASSADOR ON MARCOS IN THE NEXT FEW DAYS.
SULLIVAN

STADIS CAPTION REMOVED PER MR. WILLNER EA/PHL 2/4/75

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